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TAGS: [PGOV](#) [ECON](#) [EAID](#) [PREL](#) [KWBG](#)
SUBJECT: PA MINISTRY: LET HAMAS FAIL BY THEMSELVES

Classified By: Consul General Jake Walles for reasons 1.4 (b) and (d).

¶1. (C) Summary: In a recent meeting with the Consul General, Palestinian Authority (PA) Minister of Housing and Public Works Shtayyeh urged donors not to stop assistance to the Palestinians. Shtayyeh asserted that Hamas would not be able to govern and would be in office only temporarily. He advised that PA President Abbas plans to expand the President's office by appointing at least 200 people to manage various sectors. Dual-hatted as head of Palestinian Economic Council For Development and Reconstruction (PECDAR), Shtayyeh recommended donors use PECDAR, an independent agency, as an alternative for channeling assistance to the Palestinian people. End Summary.

¶2. (C) The Consul General met with PA Housing & Public Works Minister Muhammad Shtayyeh on February 16. (Bio Note: In addition to his soon-to-conclude ministerial duties and his on-going role as the head of PECDAR, Shtayyeh managed President Abbas' January 2005 campaign for the Presidency. End bio note.)

Why Hamas won

¶3. (C) Shtayyeh called the Palestinian post-election mood one of regret. He said, "The people had wanted to slap Fatah on the face for its mistakes and lack of concrete accomplishments in the last forty years; instead, the Palestinian people have broken the bone." Shtayyeh blamed Fatah, the GOI, and the international community for the Hamas victory. He said that Fatah had lacked professionalism and there was evidence of corruption. Palestinians, he said, had also voted against a lack of cohesive leadership by Fatah, claiming that PA President Abbas had not delivered results on the ground. Shtayyeh also claimed that each incursion and targeted assassination by the Israeli government had fed into Hamas' platform which, compounded with the GOI's unilateralism, had undermined Abbas.

¶4. (C) The international community had also played a role in Hamas' rise to power, Shtayyeh said. The World Bank and the European Community had advocated a technical approach to Palestinian reform efforts by focusing on benchmarks. In the December Ad Hoc Liaison Conference in London, while the U.S. had been supportive of the Palestinian position, the World Bank had issued a report 30 days prior to the conference without any consultations with the PA, criticizing the inability of the PA to rein in salaries and develop fiscally sound policies.

Next steps for Hamas

¶15. (C) Shtayyeh predicted that Islamic parties' involvement in the political process could potentially lead to political fragmentation within the West Bank and Gaza Strip. Shtayyeh highlighted that Gaza-based Hamas PLC members will have to participate in PLC sessions via video-conferencing, since they will not be able to get Israeli permits to travel to Ramallah. Shtayyeh conjectured that this could lead to an "Islamic Republic of Gaza," which would sever all ties with the President's office.

¶16. (C) The Consul General agreed with Shtayyeh that Hamas faced a difficult situation, particularly since the GOI would not transfer tax revenues to a Hamas-led government. He pointed out the difficulty that the Fatah-led government had had with getting assistance from the international donor community; a Hamas-led government would certainly face more of the same. Shtayyeh said he hoped that Hamas would face the reality that along with governing, it would have to deliver public services to the Palestinian people. He added that he did not think Hamas could meet its reported claim that it has access to USD 100 million a month.

Cutting assistance to the Palestinians

¶17. (C) Shtayyeh warned of the consequences if the USG cut assistance to the Palestinians. A more refined and subtle approach of keeping quiet would send a powerful signal at a time when the Islamic movement was in search of legitimacy and could potentially capitalize on Palestinian anger. Shtayyeh also warned that the GOI should refrain from making similar statements that could fuel a mood of revenge.

¶18. (C) Shtayyeh also cautioned that the PA would experience an immediate financial collapse, if the international donor community decided to stop assistance for the budget. Shtayyeh ruminated as to whether this would mean total disintegration or whether it would cause a revolt in the streets. Street protests might serve as a wake-up call for the Palestinian electorate and could result in a call for new elections, he said. It was crucial to keep the PA functioning as an entity, he said, in spite of the Palestinians who had voted against the current government.

Ramping up the President's office

¶19. (C) Shtayyeh said Abbas planned to expand the President's office by setting up several different departments to oversee particular sectors. Shtayyeh emphasized that these people would not advise the President, but would head a larger entity, such as a legal or economic department. The President would need an unofficial budget to support this type of expansion and to help prevent the situation from plunging into deeper chaos. He noted that UNDP, with funding from Japan, was building additional office space for about 200 to 250 people who were now working in the vicinity of the President's office.

PECDAR as a vehicle for delivering assistance

¶10. (C) Shtayyeh suggested to the Consul General that PECDAR would be a viable alternative for delivering assistance programs to the Palestinians. He said PECDAR was presently conducting training sessions with governors with the hope of creating a parallel track to provide public services to the Palestinians. Shtayyeh urged the Consul General to consider that this was a temporary government and that there were alternatives to channel USG assistance to the Palestinian people.

¶11. (C) PECDAR was a capable institution, transparent and capable of handling donor money, Shtayyeh asserted. (Note: Shtayyeh is the head of PECDAR, a PLO body established in October 1993, to manage and oversee the reconstruction and

development process in the West Bank and Gaza. PECDAR was originally intended to be a transitional body until the ministries and agencies of the PA were developed. End Note.)

The World Bank and Britain had directed money to PECDAR without going through the Ministry of Finance, demonstrating that PECDAR could choose the degree of interaction that it had with the PA. Once the particular project was tendered, it was offered up to the private sector for bidding. Shtayyeh pointed to the example of two hospitals in Ramallah built with money from the governments of Kuwait and Bahrain and independently administered. He added that PECDAR had a project management office in every city and could work with only the governors, if donors so choose.

Getting control over the security forces

¶12. (C) Shtayyeh said he hoped the President would agree to hold on to the security forces and not consider splitting them with a Hamas-led government. If Abbas chose not to command and control the security services, the entire structure could disintegrate or Hamas would try to insert its own people. One option, Shtayyeh said, was to expand the Presidential Guard to 9,000. (Note: The current size of the presidential guards is less than 1,000. End Note.) Shtayyeh stressed that Abbas would have to find salaries at the end of the month to pay this new corps of presidential guards. In any case, the EU donors would likely pull all funding for any programs to support the police, Shtayyeh noted.
WALLES